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SUBJECT: THIS WEEK IN ALBANIA, JANUARY 18 - 25, 2008

REF: TIRANA 10

¶1. (U) The following is a weekly report prepared by Embassy Tirana's local staff to provide political and economic context and insight into developments in Albania. These updates will supplement post's DAR reports and reporting cables.

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POLITICAL DEVELOPMENTS  
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¶2. (U) One With the People: Opposition leader Edi Rama continued his "Dialogue with Albania" by talking to locals in an area that has traditionally isolated itself with its renegade policies, Lazarat. This small village is infamous for the illegal cultivation and export of cannabis - in spite of intermittent government efforts to crack down on this livelihood. It has been used over the last decade as a political football by both left and right wing governments, though neither has managed to reign it in. Rama tried a populist appeal this week to attempt to bring the village into the Socialist Party fold. With careful rhetoric he avoided mentioning "growing weed" and concentrated on "growing together," emphasizing that "Young people should become the example for politicians, for a new politics completely different from the deafening and blinding one - completely different from the politics that does not provide jobs or schooling, leaving us without a future. It must be different from the politics that is devastating the Albanian village and rendering the Albanian city an unlivable place."

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"As long as we are persistent in our pursuit of our deepest destiny, we will continue to grow. We cannot choose the day or time when we will fully bloom. It happens in its own time." Denis Waitley  
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ECONOMIC DEVELOPMENTS  
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¶4. (U) Time for tangible results: "Every cloud has a silver lining" is proving somewhat true in the case of Albania's 2006-2007 energy crises. This winter's energy shortage became the driving force in accelerating reforms to promote investments in this sector. The Prime Minister reviewed a record number of investment proposals for energy generation in 2007 and several previously derailed projects finally seem to be back on track. Options vary from hydro and thermal power plants to renewable energy generation and long term strategies such as nuclear power. The PM announced that in the not-too-distant future Albania will be an energy exporter rather than importer in the region, a goal which could be bolstered by the recent GOA nod to create the largest on-shore wind farm in Europe, with a total generating capacity of 500 MW. A second undersea power cable has also been approved, a 400kV cable stretching across the Otranto channel under the Adriatic Sea, to allow electricity

transmission between Albania and Italy.

¶5. (U) This focus on energy infrastructure is welcome news to common citizens who have become increasingly jaded by every new claim to solve the problem, only to be left the next winter - and sometimes summer too - without their basic needs being met. In almost two decades the problem has remained unaddressed, without the construction of a single energy generation source and no comprehensive update to the crumbling infrastructure. Albanians today are eager for tangible results.

¶6. (U) Albanian Micro Finance in Forbes Top 50: Forbes Magazine named BESA 43rd in its World's Top 50 Microfinance Institutions. The list includes just seven institutions from Europe, clustered in the Western Balkans. Institutions were ranked according to the scale, efficiency, risk and return equally weighted for overall ranking.

¶7. (U) BESA was the micro finance "pioneer," begun as a Soros Foundation urban micro credit project in 1994. (Today there are six micro finance lenders in the country.) BESA's assistance reigns where traditional banks do not, mainly in the agricultural sector, but also in support of women-owned businesses. The average loan does not exceed US\$4,000 and 55% of the loans are less than US\$ 3,000. Through the end of 2007 BESA had granted 37,000 loans with a cumulative disbursement of US\$194 million, creating thousands of new jobs since its inception.

¶8. (U) Heritage Foundation Index of Economic Freedom: The 2008 Index gives Albanian a 63.3 point rating, moving up from the 66th place in 2007 to the 56th. Albania's economic freedom ranks above the world average, but when it comes to freedom from corruption and adequate property rights Albania's score is among the lowest in the region. PM Berisha won the 2005 general elections on a pledge of zero-tolerance against corruption, and has recently reiterated that

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the fight against the corruption and the informal economy will continue to be one his top priorities in 2008.

¶9. (U) Despite the government's efforts to tackle corruption and secure property rights, progress has been slow, with unsatisfactory results. The GoA embarked on a number of fiscal and legislative reforms in 2007, including a flat tax to simplify tax administration and broaden the base of companies ready to join the formal sector from the informal. Other measures have been more controversial, such as a minimal reference salary for calculating personal income tax, social and health contributions, a reference price for goods, and set profit margins for selected industries. The business community charges that these efforts undermine the free market economy and defy its core principles and have protested loudly over these changes.

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DIPLOMACY AND CULTURE  
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¶10. (U) The Right Person at the Right Time: Although it has a small population, Albania's pool of young talented nationals who began their careers as communism fell is growing in number and experience. Tonin Gjura is one, Albania's current Ambassador to Israel. A skilled diplomat, he is a sociologist by profession with a doctorate from Tirana University and M.A. in Society and Politics from the Central European University.

¶11. (U) Gjura has recently presented to Israelis the case for Kosovar independence, explaining that Kosovars want to establish an independent state, not a Muslim nation-state, as some regional journalists and opinion makers perceive. In an article entitled "Kosovo Deserves Independence," published in the Jerusalem Post, he writes that "It is a fundamental mistake to equate religion with ethnicity." (A misperception that is not limited to Albanians inside Kosovo's borders, see reftel: "Why Albania is Not a Muslim Nation"). He argues that "Kosovo Albanians are more European than any other neighboring country in the Balkans" and their independence has nothing to do with Islam. Commenting on the article from his

residence in Paris, the iconic (sometimes ironic) novelist Ismail Kadare stated: "It is rare in Albanian diplomacy that the right Ambassador happens to be at the right place." Such appointments should multiply as the next generation wizens and matures.

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